DOCUMENT RESUME

ED 098 888 HE 006 070

AUTHOR	Shulman, Carol Herrnstadt
TITLE	Private Colleges: Present Conditions and Future Prospects. ERIC/Higher Education Research Report No. 9.
INSTITUTION	George Washington Univ., Washington, D.C. ERIC Clearinghouse on Higher Education.
SPONS AGENCY	National Inst. of Education (DHEW), Washington, D.C.
PUB DATE	74
NOTE	62p.
AVAILABLE FROM	American Association for Higher Education, Publications Department, One Dupont Circle, Suite 780, Washington, D.C. 20036 ($3.00)
EDRS PRICE	MF-$0.75 HC-$3.15 PLUS POSTAGE
DESCRIPTORS	College Students; Educational Benefits; *Educational Finance; Educational Needs; *Enrollment Trends; Federal Aid; *Financial Problems; Financial Support; Government Role; *Higher Education; Historical Reviews; *Private Colleges; Recruitment; State Aid; Student Characteristics

ABSTRACT

Many private colleges and universities are facing a combination of cost escalation and declining enrollment pressures that threaten their roles as a major influence in U.S. higher education. Rising tuition costs have caused many students to seek lower cost public institutions, thus aggravating an already difficult financial situation. In the face of worsening financial stringencies and enrollments diminishing at an accelerated rate, important public policy issues have been addressed in a number of major studies about restoring the financial health of this higher education resource. In addition to presenting a brief historical sketch of private higher education institutions in the U.S., focus is placed on the means by which these institutions, through changes in public policy and critical self-analysis, can be assisted to survive and continue to fulfill their important mission as an essential part of the American system of higher education. (MJM)

ED 098888

Private Colleges: Present Conditions and Future Prospects

Carol Herrnstadt Shulman

ERIC/Higher Education
Research Report No. 9
1974

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HE 006 070

Prepared by the
ERIC Clearinghouse
on Higher Education
The George Washington University
Washington, D. C. 20036

Published by
the American Association
for Higher Education
One Dupont Circle, Suite 780
Washington, D. C. 20036

2/3

Acknowledgement

The author wishes to thank her husband Martin, as well as Jonathan Fife and David Trivett of the Clearinghouse staff for their advice and helpful comments on the manuscript.

This publication was prepared pursuant to a contract with the National Institute of Education, U. S. Department of Health, Education and Welfare. Contractors undertaking such projects under government sponsorship are encouraged to express freely their judgment in professional and technical matters. Prior to publication, the manuscript was submitted to the American Association for Higher Education for critical review and determination of professional competence. This publication has met such standards. Points of view or opinions do not, however, necessarily represent official views or opinions of either the American Association for Higher Education or the National Institute of Education.

Foreword

Many private colleges and universities are facing a combination of cost escalation and declining enrollment pressures that threaten their role as a major influence in U.S. higher education. Rising tuition costs have caused many students to seek lower cost public institutions, thus aggravating an already difficult financial situation. In the face of worsening financial stringencies and enrollments diminishing at an accelerated rate, important public policy issues have been addressed in a number of major studies about restoring the financial health of this precious higher education resource. The author, in addition to presenting a brief historical sketch of private higher education institutions in the U.S., focuses on the means by which these institutions, through changes in public policy and critical self-analysis, can be assisted to survive and continue to fulfill their important mission as an essential part of the American system of higher education. Carol Herrnstadt Shulman is a Research Associate on the staff of the ERIC Clearinghouse on Higher Education.

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Introduction

Like other institutions, higher education in America is influenced by changing social values and economic conditions. Of particular challenge to the character of traditional higher education are recent demands for greater access to higher education by a broader range of students, calls for vocationally-oriented curricula, and the effects of inflation on all aspects of institutional solvency. To determine the appropriate response to these pressures, the higher education community is examining its goals, sources of financial support, curricula, and clientele. For the private college sector, successful handling of these issues is of critical importance because statistical evidence shows that private or independent higher education is attracting fewer students today than it has in the past. There is a series of reasons for this: the loss of students to lower-cost public institutions; the low visibility of some private colleges; and changes in the student population's educational objectives and interests.

In recent years, private institutions' dominance of the higher education market has diminished in comparison to the public sector when measured by the number of institutions, enrollment statistics, and degrees conferred. From 1949 to 1966, private institutions constituted about 66 percent of the total number of institutions (West and Andersen 1970, p. 349); by the fall of 1972 this figure had decreased to 56 percent (*A Fact Book. Institutions . . .* 1973a, p. 73.117). However, since 1970, fifty private institutions have closed, fifteen merged with other institutions, and six have become public; at the same time, twenty-six new private institutions have been established (Smith 1974).

Private institutions have been losing about 1 percent per year of degree-credit students for the last 20 years, and their enrollment has dropped from 33 percent of the total number of degree-credit students in higher education in fall 1969 (West and Andersen 1970, p. 348) to 23 percent for 1973 (*A Fact Book. Enrollment Data* 1974, p. 74.9). In terms of the number of earned degrees conferred, the change is less dramatic: private institutions granted 39 percent of all degrees in 1967-68 (West and Andersen, p. 348) compared to 35 percent in 1971, the most recent year for which figures are available (*A Fact Book. Interim Report* 1973b, p. 3).

These changes do not necessarily point to a vanishing need for private higher education. Leaders in both public and private higher

education, researchers, and students have affirmed the importance of independent higher education in the American college and university system. They assert that private higher education makes two major contributions. First, private institutions provide variations in size, philosophy, curricula, and communal feeling that are not generally available in public colleges; second, private higher education exercises, by its very existence and through its leadership, a preventive pressure against excesses of governmental interference in the academic life of public colleges. About the latter point, Clark Kerr has observed:

> We are moving toward a kind of public utility status for higher education, with more control by the states and by the federal government. When I was president of the University of California I thought that the best protection that the University of California had for its autonomy was the existence of Stanford University, and Cal Tech, and USC and the Claremont System. Their autonomy helped to protect our autonomy (1972 [p. 101]).

Educators recognize the importance of private colleges and universities and have become concerned about the future character and viability of private higher education. The pressures confronting every segment of higher education seem especially burdensome to many private institutions. Further, the continuing decline in enrollment, the number of earned degrees conferred, and the number of institutions in private higher education suggests that the private sector may at some point lose its beneficial influence on all higher education. Currently, there are sufficient numbers of private colleges and universities to add variety and distinction to American higher education. If the enrollments and distinctiveness of the private sector were to decrease significantly, however, the remaining private colleges would be dwarfed by the large public college system, and public institutions would lose the special contributions of the private colleges and universities.

This paper will examine the evolution of private higher education goals and organization from the colonial period to modern times, and will discuss changes now underway to sustain a stable private sector while at the same time providing for a continuity of the high quality associated with these institutions.

Historical Perspective

The Colonies: Collegiate Goals and Programs

Private higher education in America arose when colonial leaders, seeking to maintain political and religious group values, established colleges to train future leaders in their roles. The early colleges, therefore, had broad purposes:

> A college develops a sense of unity where, in a society created from many of the nations of Europe, there might otherwise be aimlessness and uncontrolled diversity. A college advances learning . . . [and] is an instructor in . . . the dictates of conscience and faith. A college . . . helps men to learn the things they must know in order to manage the temporal affairs of the world; it trains a legion of teachers (Rudolph 1962, p. 13).

Religious differences contributed to the founding of new colleges, especially in the early history of the colonies. Yale College was successful in part because its orthodox religious views attracted students whose families were disgruntled with Harvard's increasingly liberal religious thinking. The sectarianism of the colonial period was heightened by the Great Awakening (1739-1742), a period in which the importance of individual religious experience was affirmed. Thus, the College of New Jersey at Princeton, Dartmouth, the College of Rhode Island at Providence, and Queen's College in New Brunswick, New Jersey, all were founded to support the views of religious denominations.

In keeping with their goal of training leaders, colonial colleges catered to an aristocratic and wealthy clientele. Because the colleges were concerned with controlling their students' personal development, they were established as residential colleges with strict regulations governing their students' lives. College students in Colonial America spent their years learning a specified body of knowledge and free scholarly inquiry was not emphasized. Learning was accomplished for the most part by recitation: the teacher would call upon a student to repeat a lesson, whose reply would range from "reproducing the textbook, lecture, or demonstration verbatim to a highly developed Socratic dialogue" (Brubacher and Rudy 1968, p. 84).

To fulfill their social and cultural goals, colonial colleges modeled their curricula on Oxford and Cambridge:

> The colonial curriculum was the proper amalgam of the medieval arts and sciences and of Renaissance interest in the study of literature and belles-lettres. The fundamental discipline was Latin (Rudolph 1962, p. 25).

Eventually, the new scientific and mathematical learning of the eighteenth century was introduced and accepted at colonial colleges, so that by the end of the colonial period secular learning had become increasingly important, especially at Harvard.

The Colonies: Administering and Financing the Colleges

The colonial college administrative organization that led to today's colleges was borrowed from European Protestant and English colleges. The modern concept of a board of trustees traces its origin to Calvin's grant to a group of laymen and clergy of the right to make appointments to his academy. The English colleges contributed the concept of a "head" or president having broad administrative powers for an indefinite term of office and residing on campus. The president dealt with college affairs on a day-to-day basis, but the board of trustees had final authority in all matters.

Collegiate relations with colonial governments derived from the legal relationship between private corporations and the British king. The early colonial colleges served dual roles as representatives both of particular denominational interests and of the colonial governments that supported them. Like private corporations, colonial colleges received their authority to operate from the colonial legislatures, following the English law that a corporation to be established needed the express authority of the Crown.

The colonial legislatures also were linked financially to the colleges by allocating revenues from a variety of sources for their support. However, this arrangement changed toward the end of the eighteenth century as sectarian differences within the colonies made allocations to any institution of a particular religious persuasion a controversial issue.

Post Revolution to Civil War: New Colleges and New Curricula

After the Revolutionary War, colleges were founded in great numbers in the United States. In 1776 there were nine colleges in the colonies, but by the 1860's there were approximately 250 colleges. The impulse toward founding colleges may be accounted for by (1) the desire to bring knowledge to the population as it expanded and moved westward, (2) the eagerness of local and state governments to boast of their own college facilities, and (3) the sectarianism of the period that prompted each denomination to found its own college.

The proliferation of colleges produced a wide variety of institutions with a myriad of purposes. For example, some founders were interested in bringing eastern influences to the west, so Oberlin, Carleton, and Whitman were modeled on New England institutions. The Methodists, in a typical expression of sectarian interests, decided to launch their own educational enterprises because:

> When we examine the state of the literary institutions of our country, we find a majority of them are in the hands of other denominations, so that our people are unwilling (and we think properly so) to send their sons to those institutions (Sweet in Rudolph 1962, p. 56).

The college curricula during this period, on the other hand, began to reflect an adjustment to practical and scientific interests common to the American people. While classical education maintained its dominance, colleges began to offer a "parallel course" that taught modern languages and scientific subjects. Many students enrolled in this alternative college program were granted a certificate of proficiency rather than a degree, an indication of the lower status of the "parallel course." Most colleges, however, introduced the new learning into the classical curriculum by "prescribing (and therefore certifying as legitimate college subjects)" a limited amount of modern language and new mathematical study (Rudolph 1962, p. 115).

Reacting to this threat to classicism, the Yale Report of 1828 came out strongly for maintaining the traditional pattern of education. The report reasoned that college education could take one of two forms: it could be directed toward disciplining a student's mental powers so that, once educated, he could successfully apply himself to any given subject; or it could fill a student's mind with particular knowledge. Choosing the first course, it was argued that the discipline involved would strengthen the student's moral fiber; that those interested in the practical affairs of life needed the classical curriculum's civilizing and humanizing influences; and that professional, mercantile, mechanical, and agricultural studies did not belong in college. The report was so effective that it blunted innovative trends in education for most colleges until after the Civil War, and it established a controlling philosophy of education that lasted into the twentieth century (Rudolph 1962, pp. 134-135; Brubacher and Rudy 1968, pp. 291-293).

During the resulting quiescent period, however, colleges gradually changed from the recitation method to more use of the lecture approach. The change occurred as educators and students became increasingly disenchanted with rote memorization and poor teaching that frequently occurred as a result of this method. The lecture

method proved especially stimulating in scientific demonstrations, and this encouraged its use.

Financial Concerns in the Early Nineteenth Century

With so many colleges being founded in the early part of the nineteenth century the resources available for their survival were severely strained. Institutions were founded with meager facilities, books, teachers, and students. One historian reports:

> Often when a college had a building, it had no students. If it had students, frequently it had no building. If it had either, then perhaps it had no money, perhaps no professors; if professors, then no president, if a president, then no professors. Perhaps as many as seven hundred colleges tried and failed before the Civil War (Rudolph 1962, p. 47).

Faced with these difficulties, new colleges resorted to a variety of methods to raise money. One approach was to sell "perpetual scholarships" that set a fixed rate of tuition for the owner in perpetuity; however, this financing method produced deficits rather than revenues. Colleges also depended upon the generosity of very wealthy benefactors, who might seek in return the naming of the college or a building after them. More moderate but no less essential support would be given in the form of money or produce from less wealthy donors.

The most prevalent method of conserving college funds was to underpay the faculty. This was a significant factor in enabling the colleges' trustees and administrators to make the cost of education attractive to students. In fact, at some institutions students paid no tuition. President Wayland of Brown explained this situation in 1842:

> We cannot induce men to pursue a collegiate course unless we offer it vastly below its cost, if we do not give it away altogether. . . . If, the number of students in college increases, the additional receipts are devoted to the erection of buildings, the employment of other professors, or the reduction of the price of tuition and not to the augmentation of the salaries of present instructors (in Rudolph 1962, p. 198).

Relations with the States: The Dartmouth College Case

In state-private college relationships, the Dartmouth College case dominates the history of private higher education in the first half of the nineteenth century. Decided in 1819 by Chief Justice Marshall's Supreme Court, the case established the parameters of the state involvement in the affairs of a private college to which it had granted a charter. The decision's limitations on state interference defined the nature of private higher education in this country by recognizing that private colleges are in fact private corporations and are not subject to the commands of state legislatures.

The case arose when the New Hampshire legislature attempted to amend the Dartmouth College charter to make it Dartmouth University. The college board of trustees refused to acquiesce in this change, so that for a time Dartmouth College and Dartmouth University coexisted under separate administrations. The case came to court when the original trustees of Dartmouth College sued an administrator at the new institution to obtain the college seals and records.

The Supreme Court held that Dartmouth was a private institution and hence was under the control of its trustees rather than the state legislature. The Court further held that the charter granted by the state was a contract, and the state's effort to amend that contract violated the federal constitution. As a result of this decision, some state governments changed their incorporation laws so as to limit the amount of property a college could hold and to reserve to the state the right of visitation (Brubacher and Rudy 1968, p. 36).

Civil War to Turn-of-the-Century: New Goals and Programs for Higher Education

The Civil War made significant changes in American society: it affirmed and gave new impetus to the democratic spirit and it opened the way for rapid industrialization. These social changes enabled struggling reform ideas in higher education to make an impact on college goals and curricula. In contrast to the Yale Report's stress on general intellectual development through a mastery of the classics, the reformist philosophy of higher education recognized the equal importance of the new arts and sciences and the need for the individual student to develop special skills of his own choosing.

This new view of the goals of higher education led to major changes in college curricula. Colleges accepted the introduction of a broadened range of subjects for degree credit, and the elective course system, which may have retained some required subjects or provided complete freedom for students to choose their courses. Under the leadership of President Eliot, Harvard became a leader in the development of the new curriculum and the elective system. Eliot had three fundamental goals for reforming college education: (1) students would be given freedom of choice in their studies, (2) students would have an opportunity to win distinction in special lines of study, and (3) a system of discipline would be established that would impose on the individual student the principal responsibility for guiding his own conduct (Brubacher and Rudy 1968, p. 11).

During his first five years as president of Harvard (1869-1875), Eliot established an elective system that was substantially different from the

previously rigid requirements; required courses were limited to the freshman year, except for rhetoric, philosophy, history, and political science. But by 1895, only Harvard freshmen took required subjects: two English courses and one modern foreign language course (Brubacher and Rudy 1968, p. 111).

While collegiate reform was occurring as a result of changes in American society, higher education in the United States also began to feel the influence of the graduate and professional education tradition of the German Universities. American scholars who had studied in Germany returned to the United States with

> . . . the technical rules and outward forms of scholarship, the instructional techniques which relied heavily on the seminar, the lecture, and the research laboratory. . . . they brought back with them . . . an outlook which featured exact research and scientific specialization to a much greater degree than was true in the German universities (Brubacher and Rudy 1968, p. 178).

The German influence found its truest expression in schools established primarily for graduate education, of which Johns Hopkins was a leading example. Founded in 1876, Johns Hopkins was designed as a national graduate institution of the German type to bring the best minds together for productive scholarly research. To stimulate the scholars in their work, Daniel C. Gilman, the first president of the school, gathered a national body of talented graduate students and paid them generous fellowships. A small undergraduate college was also established but its student body was numerically insignificant. By the end of the nineteenth century, the graduate programs enrolled 106 students, while the undergraduate college had 149 students (Brubacher and Rudy 1968, p. 182). More typically, however, the German university structure gradually was superimposed on American undergraduate colleges. Colleges added graduate programs, and graduate schools in various areas were founded; ultimately, the complex system of schools and programs formed the university as it is recognized today.

Private-Public College Relationship in the Post-Civil War Period

The post-Civil War period also saw the development of a public sector in higher education that brought a public alternative to the private college in every state. This alternative was offered by the provisions of the Morrill Federal Land Grant Act of 1862, which gave federal land to each state in support of colleges established primarily to teach agricultural and technical subjects. (States used the income from the lands to build and endow the new colleges, and in some in-

stances they built the colleges upon the granted lands.) These new institutions won the taxpayers' support by responding to their practical needs and by establishing programs that demonstrated how higher learning could be applied to contemporary problems.

In contrast, private colleges and universities depended on the nineteenth century "captains of industry" for support. During this period, wealthy benefactors gave millions of dollars, more than was given during any other prior period in the history of higher education. Johns Hopkins, for example, left $3,500,000 to found a college in his name; this gift matched the entire endowment Harvard had built up over 250 years (Brubacher and Rudy 1968, p. 373). Through the generosity of these benefactors, college presidents established liberal arts and graduate programs to which these donors were not necessarily sympathetic. In Jencks and Riesman's view this generosity

> was . . . less a matter of the industrial barons personally insisting that pastoral colleges be turned into "knowledge factories" than of their feeling a natural kinship with men of large vision who thought this necessary (Jencks and Riesman 1968, p. 261).

The new programs offered at the public institutions and the country's developing technology also fostered the introduction of "vocational" programs at private institutions. Small colleges that could not offer the professional training of the graduate schools introduced undergraduate programs in subjects such as pharmaceutical chemistry, mechanical drawing, library science, and the history and philosophy of education. What are now accepted as standard majors in medicine, law, art, and music were introduced as innovations into Yale's traditional program in 1899 (Rudolph 1965, p. 339).

Twentieth Century Developments:
New Philosophies of Education and Curriculum Changes

By the turn of the century, the multitude of changes that had occurred in higher education had left students and educators lacking a cohesive understanding of what college was all about. Recognizing this confusion, educators debated theories and plans for defining the significance of and improving college education. The debate was divided into two major camps: those who favored a traditional, discipline-of-the-mind approach, and those who believed in a utilitarian college education offering a wide range of courses and majors.

The first group of educators decried what they saw as an increasing tendency at the beginning of the twentieth century for students using

the elective system to take only courses that would prepare them for careers. They argued:

> By constantly finding practical answers to the question what liberal education was good for, those responsible for its destinies were overlooking why liberal education was good on its own account (Brubacher and Rudy 1968, p. 295).

In addition, the traditionalists pointed out that modifying a college's program to make it appropriate for current circumstances would require a continuous process of change in twentieth century American society. Instead, they proposed an education that emphasized intellectual discipline rather than the learning of subject matter, as in the colonial and early nineteenth centuries. Efforts in this direction were made with the development of general education or survey programs, such as Columbia University's. This program offered an interdisciplinary approach to a variety of subjects such as history and philosophy, and many colleges adopted similar general education programs for their curricula.

The second camp, supporting the pragmatic view of college education, declared that theory could not be separated from practical application. For these educators, "theory was an instrument of inquiry. . . . Whether the theory was sound or not had to be tested in action" (Brubacher and Rudy 1968, p. 304). Given this view, educators believed it necessary for students to be in touch with current problems so that they could apply their intelligence to finding solutions. However, this view did not advocate turning liberal education into vocational education. John Dewey, the leading proponent of this philosophy cautioned:

> The problem of securing to the liberal arts college its due function in democratic society is that of seeing to it that the technical subjects which are now socially necessary acquire a humane direction (in Brubacher and Rudy 1968, p. 305).

Neither viewpoint clearly dominates private or public higher education today. Higher education subsumes the educators' view of what constitutes liberal learning and the students' belief that a college education should prepare students for a career. What generally appears to have evolved out of the debate on philosophies of higher learning is an educator's view that some liberal learning—a knowledge of our intellectual heritage and epistemological questions—is necessary, and therefore so are survey courses, required courses, and core programs. In contrast, student interest in career preparation and in individual-

ized learning programs have made the elective system an important component of college curricula.

Twentieth Century Changes in the Student Population

Pressures for varied programs increased even more in the twentieth century as the student population base upon which colleges draw broadened to include students from a wider range of socioeconomic backgrounds and interests. These pressures can be traced to the post-World War I period when society began to rely more on "professional expertise, personal adaptability, and packaging" than on the individualism and entrepreneurship of the nineteenth century (Jencks and Riesman 1968, pp. 93-94). Colleges established business curricula to attract students, and students in turn began to regard college as an important place to make contacts. Further, high school education became widespread, and many students seeking an employment advantage over their peers chose higher education. By 1939-1940, 697,672 students were enrolled in private higher education (*Digest of Educational Statistics, 1968*, p. 3). The great influx of returning World War II veterans accentuated this trend, but it continued even after the veterans had left. By 1972, there were 2,145,286 students enrolled in the private sector (*Digest of Educational Statistics, 1973*, p. 68). During the same period of time public higher education grew from 796,531 students (*Digest of Educational Statistics, 1968*, p. 3) to 7,069,574 students (*Digest of Educational Statistics, 1973*, p. 68).

The student population increase created by returning World War II veterans also brought about changes in college admissions practices, particularly at the private institutions. Colleges in the postwar period did not believe enrollments would continue to rise after the wave of veterans had graduated. Consequently, they did not expand their facilities to accommodate the veterans, but raised their admissions standards to determine who out of the large number of applicants would be admitted. They found that students entering under the new admissions standards improved the climate of the college, and colleges continued to raise these standards after the veterans had graduated (Jencks and Riesman 1968, pp. 280-281). In addition, private colleges led a movement to base admissions standards on the demonstration of a student's motivation and general intellectual ability. Private institutions also began to offer an increased number of scholarships to attract the superior but financially disadvantaged student.

However, the expansion of enrollment and rising admissions standards that took place during the last twenty-five years in the private sector has ended. Many private colleges face declines in enrollment

and a consequent loss of important tuition income. To change this situation, these institutions are attempting to learn what is necessary to attract additional students. For some colleges, the answer may be to change educational goals and offer new types of programs to tap a potential student market. Such a change may require admissions standards that differ from those in effect. Other institutions may find they need to provide financial incentives to attract students away from lower cost public institutions, since these students may be interested in the program a private college offers, may even prefer it, but may have chosen a public institution because of the tuition differential.

Twentieth Century Financial Problems

In the twentieth century, the financing of private higher education has gradually become the preeminent problem for many colleges and for the public served by them. Private colleges are beset by escalating costs in the form of inflation, fixed costs of tenured faculty and higher faculty salaries, and higher overhead costs and a decline in revenues, including loss of endowment income in securities, cutbacks in federal revenues, and tuition income. One analysis traces private higher education's financial difficulties to three economic changes that occurred within a comparatively short period of time: (1) the Great Depression, which limited income from investments but increased student enrollment with those who could not find work; (2) the inflation caused by two world wars; and (3) a curtailment of large scale philanthropy due to increased taxes (Brubacher and Rudy 1968, p. 377). Recently, private and public institutions undertook a great expansion of enrollment, programs, and services during the sixties that was encouraged and financed largely by the federal government. Government support has since diminished, and private colleges find themselves with facilities, faculties, and programs for which there is little financial support or student demand.

A concomitant problem is the current tenure practice whereby at the end of a seven-year probationary period a university must make a decision either to release a faculty member or employ him for his full career. Tenure practices present both financial and curricular problems that can hamper the development of a college. Financially, the college commits itself to salary outlays, frequently at the higher end of the scale, over an extended period of time. It is currently estimated that 64.7 percent of all faculty in American higher education are tenured. If one fourth of current eligible faculty are granted tenure, tenured faculty will constitute 78 percent of all faculty by 1980, and

90 percent by 1990 if current practices continue (Leslie and Miller 1974, p. 29). In terms of flexible program development, these statistics suggest that colleges and universities may be hampered in their efforts to limit or close programs that do not attract students, and/or are incurring large deficits. They may also find it difficult to start new programs that attract students and call for faculty abilities not present on the tenured staff.

Revenue has also become a problem, since private institutions rely heavily on tuition income. Between 1940 and 1960 private college tuition tripled, while public institutions have doubled their tuition (Brubacher and Rudy 1968, p. 377). Private colleges have found, however, that higher tuition tends to narrow their potential student market, and causes them to lose students to lower-cost public institutions and to increase the amount of funds that must be expended on scholarships.

Summary

Private higher education today is an amalgam of the social, educational, and financial forces that have shaped its character in each historical period. Private colleges were founded for religious and social reasons that still play an important role in the American understanding of why higher education is significant. When new scientific learning became important, nineteenth century educators began to debate what impact it should have on the classical curriculum and what the purposes of higher learning should be. Changes in the classical curriculum ultimately occurred as a result of this debate. The industrialized American society that evolved after the Civil War required more specialized learning. Private colleges responded with graduate programs modeled on the German university, and also offered the elective system for undergraduates that enabled them to prepare for careers in many fields. Private colleges during this period depended on the generosity of private individuals to sustain and improve their programs. (In financial support and programs, the private colleges contrasted sharply with the newly established land-grant colleges, which were sponsored by public funds to provide agricultural and technical training.)

The similarity of goals and programs that marked private higher education's early and middle periods splintered in the twentieth century. Primary reasons were the disagreement among educators over what consctituted a higher education; a more complex technical society that required specialists; and a broadened student population that

sought a wide range of educational objectives and programs. Today private colleges are beset by complex financial issues that affect their current and future planning and programs. Some of the steps they must take to cope with these difficulties are: better accountability procedures, curtailment of inefficient programs, identification and implementation of revenue producing programs, reduction of institutional growth rate, and provision for better long-range planning and goal setting.

Current Problems in Defining Goals: Formulating Curricula and Attracting Students

Private colleges were founded in response to perceived social needs. From their origins in the eighteenth and nineteenth centuries to today, these institutions have evolved in accordance with the internal and external pressures brought to bear by administrators, faculty, students, and society. The evolutionary process is ongoing, but some basic concerns remain unchanged: the private institutions' definition of institutional goals; the students who will benefit from the education provided; and the curriculum that should be offered to implement this education.*

Student and social pressures today are causing private colleges and universities to examine their policies and programs to determine what educational program they should offer and what kind of students they want to attract. This chapter will examine these areas of concern to private institutions.

The Question of Distinctiveness

Private institutions place great importance on their efforts to develop distinct educational missions. Many colleges have established goals to be achieved in the education of their students, and their programs, faculty, administration, and students are organized to work toward these goals. The unique mission or institutional character of these colleges account for their existence in American society because differing institutions are necessary to serve adequately the needs of a great variety of students. One current concern is the need to preserve this diversity that private colleges in their various missions offer American higher education. Morris Keeton notes that diversity in educational enterprises provides several opportunities: it enables those with minority philosophies to carry out their beliefs; it establishes a marketplace of ideas in which "truth" can be discovered; and it helps to prevent scholars from falling into too rigid a framework of thought, thereby failing to examine problems from all viewpoints (Keeton 1971, p. 18).

*Each private institution must formulate its own plan to deal with these concerns. In this, private institutions are distinguished from the public sector, whose broad mandate is to serve the needs of everyone in the state in all areas of higher education.

Private institutions generally seek to develop distinctive character. Burton Clark discusses the factors that create and define a distinctive college: (1) faculty dedication and involvement in the college's conception of its institutional mission; (2) a curriculum that carries out the college's philosophy; (3) a social base, committed to the institutional mission, that provides financial and moral support, personnel, and students; (4) a student subculture, which defines "for insiders and outsiders what the enterprise is largely about"; and (5) an ideology that unifies the college community and passes its image to the incoming students. Clark observes that welding these concepts together is difficult:

> What is so . . . hard as to occur infrequently, is to put it all together; to realize the necessity of a unifying theme; to formulate one feasible in a given social context; to build the organizational conditions and structures that allow and help a mission into a rich and encompassing definition of the institutional self (Clark 1970, p. 236).

While all private colleges and universities may not achieve distinction on the level Clark discusses (Antioch, Reed, and Swarthmore), many do provide well-defined educational experiences for their students. In a recent study, C. Robert Pace identified the kinds of experiences that can be expected from private institutions according to eight institutional types.* He surveyed 1950 alumni and 1969 juniors (to graduate in 1970) from the eight institutional types. From the alumni survey he found that

> . . . there appear to have been three main clusters of diversity and distinctiveness . . . These clusters were centered around science, religion, and intellectuality, and were more clearly exemplified by the colleges of engineering and science, the strongly denominational liberal arts colleges, and the highly selective liberal arts colleges (p. 129).

The returns from the upperclassmen survey show that this pattern continues, but with "some erosion of clarity":

> The cluster we labeled intellectuality is still evident, and the selective universities have become stronger contributors to it. Science is not quite as isolated a cluster as it was in the alumni survey. And religion is not quite as exclusively the province of the strongly denominational colleges (p. 129).

*(1) Highly selective liberal arts colleges, private, nonsectarian, strongly intellectual. (2) Strongly denominational liberal arts colleges—Catholic or evangelical Protestant. (3) General liberal arts colleges, some denominational and some nonsectarian, but not as strongly denominational as the second group nor as highly selective or intellectual as the first group. (4) Highly selective and comprehensive universities, some public but mostly private, nonsectarian. (5) State colleges and other less comprehensive universities. (6) General comprehensive universities, mostly public but some private. (7) Colleges having a major emphasis on teacher training. (8) Colleges and universities having a major emphasis on engineering and science (Pace 1974, pp. 6-8).

Pace therefore concluded that, generally, "diversity and distinctiveness" still exist in the private sector and have not declined (p. 130). But he argues that many students are losing the benefits that the private college can provide because of the increases in junior colleges, parttime students, the emphasis on vocational training, and attendance at large state institutions:

> The consequence of this trend is that fewer students attain benefits related to personal and social development, to liberal interests and attitudes, and to involvement in civic and cultural affairs (p. 130).

He also suggests that further decreases in these benefits may occur because the institutions that have been successful in providing distinctive educations are now in danger of becoming extinct due to declining enrollments and financial problems (p. 131). Summing up his findings, Pace observes:

> The most distinctive institutions, which means to some extent the institutions that are most effective in achieving their purposes, are also the ones that enroll the fewest students, are in the most serious financial condition today, and whose long range future is least assured (p. 131).

Efforts of some institutions to change their educational character by emulating the elite or university college models also tend to make college education a more homogeneous experience, i.e., this process tends to make varieties of educational experience less available in the private sector. Astin and Lee note that "invisible colleges" have attempted to move in this direction. They identify "invisible colleges" as private liberal arts institutions enrolling fewer than 2,500 students whose combined verbal and mathematical SAT scores average less than 1,000. The authors report these institutions are

> [confused] . . . over [their] role and identity. . . . gradually the invisible colleges have been drifting toward the model of the elite college, attempting to "upgrade" themselves by recruiting a more select student body from a wider geographical range, by attracting a more highly trained, research-oriented faculty, by disaffiliating themselves from their founding churches (Astin and Lee 1972, p. 95).

Astin and Lee suggest that these small private colleges need to offer an education commensurate with their resources and expertise in teaching a particular type of student, the student who is "approximately one generation behind the students in elite colleges in conventional upward mobility" (p. 58). The invisible college student is cousin to the student at a smaller public college, and the small liberal arts colleges

need to make state governments aware that they can provide an efficient alternative to the expansion of state systems (Astin and Lee, p. 79). Ness told a group of small college educators:

> . . . your type of institution will have a viable future to the extent that it sees its mission as lying somewhere beyond the bounds of the more traditional senior college or university and our obstreperous newcomer at the junior college level (Ness 1970, p. 2).

A case history of one college that folded while it was trying to change its image reveals the problems faced by small institutions that attempt to become upwardly mobile. Notre Dame College of Staten Island recognized in 1966 that it was in danger of closing (Erickson and Binning 1971). Founded in 1931, the school had a curriculum and philosophy attuned to a commuter student market of "very proper, good Catholic girls who either did not have the money to go to a residential college or did not want to leave home" (p. 60). This market was disappearing with the rise of secularization and community colleges, and the college's use of inexperienced admission directors. In addition, the college was faced with an almost certain negative evaluation by the Middle States Association and with updating a poor physical plant. The founder and president of the college was replaced in 1965 by another sister of the order. Based on a consultant's survey of the college's financial condition that she commissioned, the college decided to change in several ways at once: to become a residential institution, to upgrade its academic image, and to upgrade the physical plant. This decision did not solve the college's problems:

> Uncontrolled growth, secularization and changing the college's essential character from commuter to residential campus in one year were, in the opinion of many who were interviewed, the first mistakes (p. 61).

These efforts took large outlays of money, but the new students that were needed to provide increased tuition income and promised loans never materialized. The school closed in 1970. Although other approaches may not have saved the institution, Erikson and Binning blame the lack of long-range planning and coordination:

> There was only one direction—forward, with no contingency plans. Eventually, everyone went forward, but in different directions, losing time, precious resources, and ending in a bitter rift on campus (p. 60).

Student Characteristics

Students in private institutions are sometimes viewed as merely the

means by which these institutions remain solvent through the tuition and other revenues they bring to the campus. Yet students do contribute to and help determine the very character of the institution they attend, and the attainment of goals they set for themselves is one way to measure the institution's fulfillment of its educational mission. Planning for future development therefore requires that a college know the characteristics of its potential student body: background, abilities, interests, and goals.

One writer (Keeton 1971) has found that private college students differ from public college students in several major ways. Using the data from a 1967 American Council on Education study of entering college freshmen, Keeton compared against national norms for a cross-section of all 1967 college entrants in the country the "competencies and experiences" of 3,178 students at large liberal arts colleges (enrollment over 5,000) and 11,709 students at "visible" Protestant colleges. Compared with all other entering freshmen, he found that the freshmen studied by him share

> . . . higher high school grade averages, more scholastic and creative accomplishments on record, and more leadership experience within the school context. The private college freshmen had more highly educated parents . . . with higher than normal income, and these freshmen were more often financially dependent upon their families than usual (Keeton 1971, p. 29).

Keeton also found that these students, compared to national norms, had "aspirations, experiences, and attitudes" that are important for succeeding in a typical good liberal arts college. These characteristics included more competencies and social experience than the national norms as well as emphasis on choosing a college by its academic reputation (pp. 29-30). A greater-than-average number of freshmen studied by Keeton planned to get a postgraduate degree.

Keeton did not correlate his findings on student characteristics with the academic selectivity of the institutions from which he drew his responses, and the probable inclusion of students from more selective colleges may have skewed his findings upward for the characteristics discussed above. Thus while his findings may be good indicators of the present and potential student bodies at established private liberal arts colleges with traditional programs, there is another group of private colleges for which Keeton's findings do not seem appropriate.

These are the "invisible" private colleges identified by Astin and Lee (1972) whose students have combined selectivity scores (SAT Verbal and Mathematics) of less than 1,000 and that enroll under 2,500 students (p. 10). These institutions comprise a surprisingly large seg-

ment of higher education: they represent about one-third of all four-year private colleges in the country and enroll about 15 percent of all four-year college students.

Using data from the 1969 American Council on Education survey of entering freshmen, Astin and Lee compared the characteristics of invisible college students with students attending elite colleges and students at public two- and four-year colleges. Overall, they found invisbile-college students are more similar to students at public four-year colleges than they are to either of the other groups. Demographically, invisible-college students are likely to have rural backgrounds, attend college close to home (within a 50-mile radius), and are not likely to have fathers with a postgraduate degree. Economically, one out of five students at an invisible college may be considered at the poverty level, since his family's income is under $6,000 and, not surprisingly, he is very much concerned about financing his education. In terms of high school background and degree plans, invisible-college students are most likely to have attended public schools, and 25 percent have graduated in the upper tenth of their high school classes; only rarely do these students seek a degree beyond the bachelor's. The career choices of invisible college students also differ from Keeton's findings. A substantial proportion of students in the Astin and Lee survey expect to become elementary or secondary teachers, nurses or health professionals, or to have business careers (p. 63).

Until recently, invisible colleges served the needs of the students Astin and Lee described. But the proliferation of state colleges, offering education similar to that provided by small private colleges and at a lower cost, has cut deeply into the invisible college market. These private institutions must make state governments aware that they can serve the needs of state residents for whom public colleges are being planned. They need to point out that these new students are similar to those they have always educated and therefore they have the experience and facilities to serve these new students. In addition, the invisible colleges can offer small size and a supportive atmosphere that may be more conducive to learning for the students who would otherwise go to large state schools.

Recruiting Efforts

Faced with declining enrollments, private institutions of various sizes and purposes are looking for new recruitment methods to make themselves more visible to potential students. Such recruiting efforts frequently show up the catalog of problems facing many private insti-

tutions: namely, developing the institutional self-awareness, the goals, and the financial and other resources to achieve those goals.

Meeth (1970) points out that ideas for recruiting new students must be based on understanding and clear definition of the college mission, its constituents, and its market. A professional recruiter agrees:

> . . . you have to build a better mouse trap [sic]. That's the answer for these small colleges. You can have the best darn admissions staff in the world working 18 hours a day. . . . But if you don't have an institution that serves a definable clientele these things don't really make any difference (Van Dyne 1974, p. 8).

This blunt language may appear at odds with the low-profile recruitment programs colleges have had in the past. One recruiter has established a consulting firm that, for a fee, will organize and run a college's admissions program. The college and the consulting firm sign a three-year contract, which includes these features: (1) no guarantee as to how many students will be recruited, but goals are set; (2) the college president can reject the admissions director or other personnel proposed to be hired by the consulting firm; (3) the college runs the financial aid office; and (4) there is an annual renewal option that either party can reject (Van Dyne 1974, p. 7).

As one example, Dakota Wesleyan University has signed a contract with a recruiting organization. In addition to the usual contacts with school counselors and students, and advertisements in newspapers, the consulting firm has been more willing than traditional college admissions officers to publicize its promotions by such means as taking a booth for the college at a state fair, or bringing in a television personality to do radio and television commercials. More important for the long-range survival of the college, its personnel and the consulting firm are working on career development programs, a tactic followed by other private colleges as well (Van Dyne, p. 7).

Other efforts of private institutions to recruit students indicate a growing competition for a dwindling student market. A recent report describes the growth at private institutions of performance-based scholarship awards that do not consider financial need (Winkler 1974). Colleges that have instituted this award system have done so to attract middle-income students who would not qualify for aid because their adjusted family income is too high, but who could not afford to go to a comparatively "expensive" (vis-à-vis a public college) private institution without aid. Obviously, the merit award program also serves as a competitive device with public institutions (Winkler 1974).

There are also ideas for recruiting that do not pit colleges in such

obvious competition. Meeth (1970) suggests that a college should use its students, alumni, and staff in innovative ways to recruit students, e.g., establish alumni recruitment centers and train alumni for them; set up a college-student-to-high-school-student recruitment program; and recruit groups not normally considered for admission, such as college dropouts, older people, and veterans.

Benefits of Private Education

Private colleges that have sought and admitted students interested in their educational programs also can offer a distinctive environment in which learning can take place. Unlike public institutions, which serve a heterogeneous student body, private colleges can tailor their campus life as well as their curriculum to the needs of their student clientele. This environmental benefit of private college life may be of particular interest and importance to some students, and it is a benefit many will not find at public institutions. In his study of Protestant colleges, C. Robert Pace found that, compared with a national norm, alumni from Protestant colleges reported greater collegiate influence on their general cultural, social, and political life:

> . . . an appreciation of religion, aesthetic sensitivity, tolerance . . . social development, and awareness of different philosophies and ways of life, an understanding and interest in the style and quality of civic and political life, an appreciation of individuality and independence, and the development of lasting friendships and loyalties (Pace 1972, p. 55).

At the same time, Protestant colleges were less influential than the average in vocational training and in providing an understanding of science and technology (Pace, p. 76).

Another benefit, more difficult to measure, but no less real, is the warm environment that many private colleges provide that promotes positive personal and educational experiences for their students. Astin and Lee (1972) note:

> . . . the typical small college is characterized by a more friendly atmosphere, closer contacts between faculty and students, a stronger identification with the institution, and a feeling on the part of the students that they matter as individuals. . . . these attributes are . . . [likely to be] more conducive to student development than are the depersonalizing and alienating attributes of large institutions (p. 99).

And C. Robert Pace (1972) found in his visits to the campuses of Protestant colleges that

> . . . one senses at least part of the reason for the friendly atmosphere of the place as so clearly emerged from student responses to the college envi-

ronment scales: It really feels like a neighborhood. . . . a place that can be comprehended (p. 96).

Curriculum

Historically, the curriculum in colleges and universities* has evolved from a closed system of study into an elective, diverse, and relatively undefined approach to education. These changes have come about because of internal and external social pressures, particularly at private institutions. Private institutions feel the press of financial problems and declining enrollments, and their autonomy provides them with the opportunity to attempt solutions by changing programs more easily than public institutions. But in making these changes a private college must ask itself at what point the changes alter institutional character to such a degree that the college no longer should be called a traditional liberal arts institution.

Curriculum encompasses two concepts: the subject matter studied and the methods of teaching and learning. As to subject matter studied, a liberal arts education has expanded to include the physical and behavioral sciences, but a core of subjects in the humanities has remained a traditional requirement. This tradition is under attack as it has been in the past. Clarke argues that the general education of a liberal arts curriculum was designed to mold a well-rounded cultivated, and moral individual. He observes that this purpose goes back to the religious foundations of American colleges, but is inappropriate in today's technological world. To survive, he believes that liberal arts colleges must "secularize":

> The new institutions of learning need to be dispensing agencies primarily modeled after industry more than after religion. Let the new college . . . follow the university which, . . . treats the student as a consumer by offering him the kinds of educational experiences he demands and needs (Clarke 1971, p. 394).

L. Richard Meeth also cites new attitudes on the part of incoming students that should call forth changes in the traditional liberal arts curriculum. He notes the demand for career-oriented programs, finds liberal arts colleges currently ill-suited to respond to these demands, and suggests that educators begin to look at the "liberal arts" concept in a different way:

> *Assumption:* The liberal arts is a body of information; therefore, a liberal arts college must teach a body of information in a traditional way.

* This discussion focuses on the curriculum problems of general liberal arts colleges in the private sector, since literature on private college curricula is largely concerned with the problems of these institutions.

> *Challenge:* Since very little is known about the effect of teaching a distribution of subjects, why not conceive of the liberal arts as a way of learning any body of information or skills that produce an independent learner (Meeth 1974, p. 164).

Meeth's suggestion is, of course, a restatement of the philosophy of liberal arts education that holds intellectual discipline and flexibility as the goal of education. It may be a philosophy that will gain popularity once again.

As a consequence of the continuing discussion of what constitutes a liberal education, the higher education community is trying new ways to structure a college education. Public and private institutions are in fact coming to recognize the value of independent learning and have even become concerned with validating students' learning experiences that occur outside a traditional collegiate structure. For example, the University Without Walls (UWW), whose administrative center is at the Union for Experimenting Colleges and Universities in Yellow Springs, Ohio, is a consortium of primarily private institutions that offers individualized learning programs for students and includes nontraditional experiential learning as well as traditional educational experiences. UWW institutions will grant a degree upon successful completion of the individualized learning program (Shulman 1972). This recognition of the value of practical experience is also reflected in the efforts of some small private liberal arts colleges to offer more vocational and career development programs within a liberal arts setting.

The new interest in such forms of education is evidenced by the development of a new private college in California. World College West offers a curriculum of "integrational experience" that combines living, learning, and working with developing intercultural experience and knowledge. Two students working on alternate days share a job between them and study on their nonwork days. The education curriculum differs for each year: the first year of study is interdisciplinary and structured; the second year involves a more detailed study of American culture and another culture (in which students live). In the last two years the focus will be on intercultural exchanges and developing competencies and decisionmaking powers in the students ("The Case for World College West . . .," 1973).

New methods of teaching and greater efficiency are also being urged as a means to improve private college curricula. In his survey of sixty-six independent and church-related liberal arts colleges, and in the results of an earlier study of twenty-five selective colleges, Meeth found that

> course proliferation seems to be universal among private institutions. Many have overextended their curricular offerings in some departments; unless they reduce their offerings or increase their enrollments without increasing faculty, they cannot operate economically nor can they raise the quality of instruction they do give (Meeth 1974, p. 25).

For example, he suggests that colleges should reduce their offerings in a major to two or three courses beyond the amount required for a major. Thus, if the English department requires 30 hours for a major, the department should not offer more than 40 hours in the subject, excluding courses related to other requirements.

In another look at improving curricular organization, Bowen and Douglas (1971) examine how six different curricular models would function in a private liberal arts college of about 1,200 students. The six plans studied are: (1) the conventional plan, based on lectures and discussion of a subject given and led by a faculty member in a class of eight to 40 students; (2) the Ruml plan, centering around the use of very large, high-quality lectures each semester that would be central to the curriculum; (3) programmed independent study that would tailor learning to the student, but with many students following roughly the same program; (4) the Bakan plan, which incorporates "a highly compressed and relatively unstructured curriculum accompanied by extensive use of tutorials"; and (5) the Keiffer Plan, which would enable students to study at their own rate by using modern teaching equipment as well as instructors. The authors, however, opt for the development of a sixth "eclectic plan" that would use ideas from all five plans described. They find:

> . . . there is no best way of education suitable for all institutions, all subjects, all professors, and all students. We reject any single plan in favor of an eclectic plan that draws on conventional lecture-discussions and lecture-laboratories, large lectures, independent study, tutorials, and mechanized instruction . . . [and] it is economically feasible (Bowen and Douglas 1971, p. 102).

Summary

Because private colleges vary widely in educational goals, student bodies, and program offerings, it may be misleading to think of the private colleges as a homogeneous entity. What all private colleges share, however, is their effort to fulfill well-understood educational goals. This effort is continuous and difficult, particularly under current financial pressures and the competition of lower-cost public institutions. In spite of these problems, private colleges realize that to survive they must identify the students they can successfully serve; that

they need to consider new goals and programs to attract these students; and that they should make state governments and prospective students aware that they offer a distinctive college environment as an integral part of their students' learning experience.

Government Relations with Private Institutions

Freedom of private institutions from state and government control is recognized as an important part of their ability to develop educational ideas and to experiment with new concepts. This freedom from institutional control is the legacy of the Supreme Court's decision in the Dartmouth College case. But this legacy of freedom is being compromised by new developments in the area of funding. Private institutions are involved in a complex array of state and federal programs that provide financial aid to institutions and to their students. Private institutions participating in these programs are subject to governmental standards and regulations that may reach into areas of institutional policy and practice seemingly beyond the scope of the aid program concerned. In addition, federal case law has expanded immensely since the Dartmouth College ruling, and many private college activities are now subject to court review. This twentieth century relationship between private colleges and state and federal governments limits the original autonomy of private institutions.

The State-Private Institution Relationship in General

Tax factors and the states' duties "to oversee and support higher education" and "to protect the public's interest" affect the relationship between private higher education and state governments (Nelson 1973, pp. 2-3). Under the umbrella of these responsibilities, state governments in recent years have spawned a variety of programs designed to expand educational opportunity through student aid programs. A direct result of these programs is the provision of financial support to private institutions through increased tuition income. One recent study shows that 35 states have aid programs for students in private institutions and several states have more than one program (Millard 1974). Fifteen states have tuition equalization grants specifically for students in private institutions; 11 states have loan programs, generally combined with scholarship or grant programs; two states (Connecticut and Minnesota) support work-study programs; and seven states allow their grants to be taken out of state to public or private institutions. In addition, 16 states have contracted with private colleges for specific programs and for additional space for state residents, and 18 states provide direct aid to private colleges and universities.

Some states have also initiated other forms of aid on a smaller scale. These include state income tax credits for individual or corporate donations to private colleges (Indiana and Michigan) and exemptions for independent institutions from sales tax (South Carolina) and gasoline tax (Michigan). Illinois has provided funding to encourage consortia among private, or public and private, institutions, and New York state endows chairs at independent and at public colleges (Millard 1974).

State aid to private higher education is the result of the state's interest in fiscal economy as well as in providing educational opportunity. States are now recognizing that as the public system expands, its makes an impact upon the private sector's enrollment. While state legislatures tax the public with large expenditures for new higher education facilities, private colleges may be underutilized. Therefore, state aid to private institutions instead of continued expansion of the public system may be more economically sound. The findings of the Minnesota Higher Education Coordinating Commission typify the arguments for assisting private higher education:

> Another pressing reason today for the state's assisting the private colleges is related to the availability of places in public institutions . . . if present trends continue, all institutions of post-secondary education will probably have to absorb an additional 80,000 students by 1980. The added financial burden to the state . . . will be extremely heavy and, in terms of present taxpayer reaction, perhaps prohibitive ("Minnesota Private . . ." 1970, p. 3).

The Commission suggests it would be better to utilize fully the services of existing private institutions rather than to expand the state system.

Large state systems have cut into private college enrollment because the tuition differential is about 1 to 4 (Carnegie Commission 1973, p. 10). In Massachusetts public tuition is $250 per year, while tuition at Boston University is $2,690 (McCain 1973). Since the expansion of the state university system in the 1960's, Boston University's enrollment of Massachusetts residents has dropped from 55 percent in 1965 to 28 percent in September 1972. The Carnegie Commission on Higher Education (1973) recommends increases in tuition at public institutions to "narrow the gap" between the private and the public sectors (Committee for Economic Development 1973, p. 9).* Generally, however, state systems do not view increasing the cost of public higher

*The Committee for Economic Development also recommends higher public tuitions and large programs of aid to low-income students. This program would, in effect, also narrow the tuition gap between the public and private sectors.

education as an appropriate method to increase the competitiveness of private higher education. A joint statement by the American Association of State Colleges and Universities and the National Association of State Universities and Land-Grant Colleges declares:

> We are concerned about the good health of private institutions as we are about the public. . . . But we oppose totally the congeries of proposals which purportedly would "save" private institutions by raising tuitions at public ones (American Association of State Colleges . . . 1974, p.i).

Similarly, the American Council on Education, representing both public and private higher education, has stated:

> The effective way to achieve a fairer distribution of the benefits of higher education is to keep tuition low at all institutions and to work harder to broaden access to all institutions, public and private . . . The Council believes that private education should encourage the use of public funds for the assistance of private education ("Proposed ACE" . . . 1974, p. 2).

State Aid and Private College Attendance

Declines in enrollment are not the only evidence that private institutions lose students to public colleges because of tuition differentials. A recent study demonstrates that when state aid is given to students they will choose private over public education in significant numbers. The study's finding, therefore, supports the belief that students will attend small private institutions if tuition aid is available. Leslie and Fife surveyed first-time state-aid recipients in New Jersey, New York, Pennsylvania, and California, and analyzed data from Illinois to determine the effect of the awards on: (1) college attendance (versus nonattendance); (2) college choice—public or private; and (3) the size of the institution chosen. Concerning the first variable (attendance versus nonattendance) they found that 145,189 students in five states went to college because they received aid (p. 10). As to the choice between public and private colleges, the study shows that recipients in four out of the six programs "appear somewhat more likely . . . than the [state] norm group students to attend private colleges" (Leslie and Fife 1974, p. 12).* In terms of the third variable, college size, the investigators found that students with aid who are enrolled fulltime are "much less likely" to enroll in two-year colleges compared to students who receive no aid. Instead, the students with aid are "almost as overwhelmingly

*Deviations from this finding in the New York State program were probably due to the small amount of awards and the fact that students from families with incomes over $20,000 generally do not qualify for aid; in Pennsylvania, deviations may be explained by the high public tuition.

more likely to enroll in universities" (p. 13). Institutions with enrollment under 2,500 students have a greater number of aid recipients and in fact benefit more than large institutions. The authors do not believe that public institutions lose students to private colleges because of the aid programs. Rather, they contend that the aid programs bring so many new students to higher education that potential losses are offset.

Disadvantages of State Aid

Although there is an apparent need for state aid on the part of private institutions, they face some problems when they receive these funds. According to Jellema (1973), private colleges that receive aid may be in difficulty if the aid does not continue, since they are still morally responsible for the education of their students if state aid lapses. Moreover, an institution tends to adjust its program on the basis of state aid and therefore may find itself in an "awkward position" if the aid declines. Also, when state aid is tied to state-resident status, a college tends to concentrate on state students rather than a more national student representation. The college may fill its classes largely with state residents, who are more easily recruited and who seemingly have a reliable source of tuition support from the state government. A change in aid may mean that the college loses state students after it has already lost its prominence in the national student market through its decline in recruitment efforts (Jellema 1973, p. 64).

Further, private colleges and universities that accept aid must also accept a greater degree of state involvement in their educational management. Such involvement may include

> . . . certain public accountability not hitherto required of private institutions, the necessity of coordinating their current operations and plans for growth and development with the operations and plans of both other private institutions and the public institutions, and the recognition of some state body as the agency to effect the coordination (Horn 1971, pp. 505-506).

Horn, however, does not view this degree of entanglement as necessarily detrimental, suggesting instead that private colleges may overemphasize their autonomy. He notes that many public institutions that are equal in quality to private colleges have not suffered because of state control.

Federal Aid and Federal Guidelines

Federal aid to higher education has become increasingly important since the 1940's, when government-sponsored research at universities

and aid to veterans began to benefit private and public institutions. This aid did not differentiate between the two sectors, since it was basically understood that

> the graduate of the private college serves society just as well as the graduate of the public college and thus, in principle, public financial support should be equally available to both kinds of institutions (Kerr 1972).

By the end of the 1960's private institutions were deriving an average of 12.8 percent of their income from the federal government. In addition, the federal government was giving aid at a rate of about $3 billion annually directly to students attending public and private institutions (National Commission on the Financing . . . 1973, p. 105). While federal aid to private institutions has become an accepted part of academic life, it has brought with it constraints that have impinged upon the internal affairs of private colleges and these, in turn, have created controversy about the salutory effects of this aid.

More recently, private institutions have grappled with the problem of complying with federal affirmative action guidelines formulated under Executive Order 11246, as amended, which prohibits discrimination on the basis of race, color, religion, sex, or national origin. All institutions having $10,000 or more in federal contracts must agree to abide by the provisions of the Executive Order, and all institutions having 50 employees and $50,000 or more in federal contracts are subject to the guidelines established to implement the Order. These guidelines affect all major aspects of academic life—hiring, promotion, retention, and financial compensation, and require private institutions to have written affirmative action plans on file for federal inspection. The sanctions for noncompliance can be damaging to an institution. If a federal investigation finds an institution is not complying with the guidelines, the institution, after a hearing, may lose all existing contracts; for noncompliance, institutions can, without any prior hearing, also lose or have frozen new contracts of $1 million or more (Shulman 1972b).

Title IX of the Education Amendments of 1972, which prohibits sex discrimination in education programs or activities receiving federal funds, will also require federal examination of institutional affairs if recently proposed HEW regulations are enacted. The areas most affected by Title IX include recruitment and admissions, athletic activities, treatment of students, campus organizations, benefits and services (for example, medical insurance and counseling), and employment practices. When institutions are thought to be in noncompliance, the federal government may terminate funds after administrative hear-

ings or refer the case to the Justice Department for court proceedings. Private undergraduate colleges that for religious or other reasons traditionally admit students of only one sex are exempt from the proposed regulations ("HEW Issues Proposed Title IX . . .," 1974; *Federal Register* . . . 1974).

The Church-State Question

Church-related institutions face some special problems. The 1971 Supreme Court decision in *Tilton v. Richardson* (403 U.S. 672) found public aid to church-related institutions to be constitutional if certain criteria concerning the relationship between the public funding agency and the institution were met. There are three steps involved in evaluating the relationship:

> First, for purposes of determining the statute's primary effect and the potential for prohibited entanglement, the character and purposes of church related schools benefiting from the statute must be examined. Second, the form of aid prescribed by the statute must be scrutinized to determine whether that aid, by its very nature, could lead to excessive entanglement. Third, the administrative relationships that ensue between public officials and church-related schools must be so structured that prohibited entanglements do not result (Wilson 1971, p. 36).

Wilson (1971) believes that church-related institutions desiring to receive aid must evaluate the degree of their sectarianism to determine their eligibility, and may want to alter some of their practices to qualify for aid. Wilson lists some factors that may be considered in deciding whether a college is or not sectarian: (1) To what extent are persons not of the institution's religious affiliation admitted as students and given faculty appointments? (2) Are students required to attend religious services? (3) Are religion courses limited to the institution's religious affiliation? (4) Does the college attempt to proselytize for its religious affiliation? (5) Does the college follow established principles of academic freedom (p. 44)? Wilson recognizes that some church-related institutions may believe they have to alter their character to qualify for aid, but he warns against this kind of hasty change. He contends that proposed changes may be unnecessary or so uncharacteristic that a college may finally decide it would lose too much in the process.

Some state constitutions carry even stronger prohibitions against such assistance to church-related institutions than the first amendment. This is so in the state of Washington, where most private institutions are religiously affiliated. A state report in 1970 recommended:

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> . . . a range of proposals should be considered that might select . . . those [colleges] that meet certain criteria pointing toward the lack of dominance or control and indeed the lack of substantial influence of religion or religious authority in their management and in the content of their program (Washington State Council 1970, p. 83).

Washington now has student aid and student loan programs for students in private and public higher education, but the state supreme court found unconstitutional a tuition grant program limited to students attending private institutions (Millard 1974).

Court Decisions on Institutional Autonomy

Several recent court cases are of interest because they demonstrate the autonomy—and the limitations on it—that private colleges and universities have. Under the law, freedom is the hallmark of private enterprise, including private higher education. Ideally, private colleges are at liberty to chart policies and programs, but in fact private institutions are sometimes subject to the same constraints of constitutional law as public colleges. "State action" is the legal term used to identify the situation in which government becomes so involved in the affairs of a private entity that the private entity's actions are, in effect, those of the government and are therefore government policy. If such a situation arises, the private institution is subject to the Fourteenth Amendment's rule that no state "shall . . . deprive any person of life, liberty, or property, without due process of law." The federal government is similarly restricted by the Fifth Amendment. Excessive involvement on any level of government in the affairs of a private college can give rise to the claim that "state action" is involved, and therefore the private institution is held accountable under the same constitutional standards as the federal or state government. A purely "private" institution would not have to meet such standards.

In *Jackson v. Statler Foundation* (496 F. 2d 623 [1974]), the United States Court of Appeals for the Second Circuit held that the alleged racial discrimination of private foundations might make the foundations' actions subject to court review as "state action" because of the foundations' tax exemptions. The court listed five factors it considered pertinent for determining whether the actions of a "private" organization accused of racial discrimination involve "state action":

> (1) the degree to which the "private" organization is dependent upon governmental aid; (2) the extent and intrusiveness of the governmental regulatory scheme; (3) whether that scheme connotes government approval of the activity or whether the assistance is merely provided to all without such connotations; (4) the extent to which the organization serves a public func-

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> tion or acts as surrogate for the state; (5) whether the organization has legitimate claims to recognition as a "private" organization in associational or other constitutional terms (496 F. 2d at 629).

The court found that the actions of tax-exempt private foundations could constitute "state action" under criteria 1, 2, 3, and 5, and stated that under criterion number 4 the actions of the institution in question would have to be judged on a case-by-case basis. It limited this definition of "state action" to claims of racial discrimination, that call for close scrutiny when the conduct involved "is admittedly part private and part governmental" (496 F. 2d at 635).

In a related opinion Chief Judge Friendly declared:

> The implications of this decision for institutions receiving tax benefits of various sorts are staggering. Simply because of tax exemptions . . . institutions of higher education . . . endowed by private donors for the sole or preferential benefits of particular creeds or race must open their doors equally to all, with every decision subject to judicial reexamination, even though this may impair or destroy the very purpose which led the donor to endow them (496 F. 2d at 638).

In marked contrast to this decision and its implications, the same court in an earlier decision recognized that the social benefits derived from independent private enterprise can be harmed by inappropriate application of the "state action" concept. In *Wahba v. New York University* (492 F. 2d 96 [1974]), the court focused on the need of private individuals and institutions to have autonomy even while receiving government aid. A researcher dismissed from a federally-funded research project at New York University (a private institution) brought suit seeking damages for his dismissal, contesting the nonrenewal of his teaching appointment without a due process hearing, and claiming denial of his First Amendment rights. The court did not decide these charges because it held that the "government action" necessary to justify court review was not present (492 F. 2d at 96).

In determining whether "state action" was involved in Wahba's dismissal, the court weighed certain questions:

> . . . principally the degree of government involvement, the offensiveness of the conduct, and the value of preserving a private sector free from the constitutional requirements applicable to government institutions (*Wahba v. New York University*, 492 F. 2d at 102).

The court found that government involvement was minimal because the principal investigator, not the government, was responsible for all decisions on the project. In fact, it held that the principal investigator's autonomy was an important consideration in his acceptance of

the grant; without this autonomy he might have been unwilling to accept the grant.

These conflicting decisions set out the two major views on the concept of state action, its impact, and its limitations as applied to the private sector. For private institutions seeking to preserve their independence, possible governmental entanglement over federal funding of projects must be considered for its potential for raising claims of "state action." Broad application of the "state action" concept to private colleges and universities could mean that the line between private and public higher education will be increasingly eroded.

The courts' impact on academic decisionmaking is also demonstrated in other areas of the law. For example, contract law applies to the agreements between college teachers and their employers. A court decision in a contract dispute may substitute the court's judgment on financial matters for the employer's. In *American Association of University Professors v. Bloomfield College (1974)*, a New Jersey Superior Court found that Bloomfield College's change-in-tenure policy was not justified by the college's alleged inability to deal with its self-proclaimed financial problems.

Bloomfield College, a small, private liberal arts college, had experienced a decline in enrollment and income. To deal with its problems, the college developed a new curriculum based on interdisciplinary studies, and decided not to renew appointments of those whose skills would be inappropriate to the new program *(Planning through Financial Exigency . . .*, 1973). The college established one-year terminal contracts for all remaining tenured and untenured faculty members and justified the changes on the basis of financial exigency, a legitimate cause for dismissal under AAUP standards on tenure if financial difficulties are bona fide.

From the evidence presented the court found the college did not do all it could to handle its financial problems so that teachers would not be dismissed and tenure abrogated. The court stated:

> . . . the actions of Bloomfield College with respect to the tenured status of its faculty members by terminating the services of some and placing others on one year employment contracts under the circumstances presented overflowed the limits of its authority as defined by its own Policies [on tenure], and therefore fail to constitute a legally valid interruption in the individual plaintiffs' continuity of service. Whatever motivations the defendants might have had, they have failed to demonstrate by a preponderance of the evidence that their purported action was in good faith related to a condition of financial exigency within the institution *(American Association of University Professors v. Bloomfield College*, N.C.-4241-72, Superior Court of New Jersey, Chancery Division-Essex County, June 26, 1974, slip op. p. 23).

The court therefore ordered the reinstatement of all tenured faculty members who had been dismissed and the continuation of tenure policies for all faculty who had lost tenure status.*

Summary

Private institutions are by definition independent of state and federal control. But this definition has been modified for private colleges and universities participating in government programs that bring revenue to the institution. With government programs comes government oversight and involvement in college affairs that may affect the institution's policies and practices. This situation has been particularly notable in the areas of affirmative action, especially for women faculty, and collegiate athletics. But in some areas courts have found that when the relationship between government and a private institution is not so entangled that the institution acts as an extension of the government, the institution's actions are not reviewable on the constitutional grounds of deprivation of life, liberty, or property without due process of law. The Constitution's prohibition against governmental establishment of religion also creates problems in providing state aid to private, church-related institutions. In addition income for private colleges, since this income is what really deter- the ordinary conduct of private colleges and universities is subject to court scrutiny if legal problems arise, such as institutional decisions on employment. The possibility of this scrutiny can affect institutional policies and planning.

*Since the decision, Bloomfield has gone into court receivership, an action that will allow it to reorganize its finances and keep the college open for the 1974 fall term. In addition, the college is reported to be conforming to the court's decision on tenured faculty (Winkler 1974, p. 2).

Financial Problems in the Private Sector

In recent years, rising costs in an inflationary economy, overexpansion of programs and physical plants, the problems of increasing productivity in a labor intensive industry, and declining enrollment (see Jenny and Wynn 1970; Cheit 1971; Jellema 1973) have raised complex financial problems for all private institutions. The large, well-endowed, research-oriented universities are experiencing these difficulties as well as the small liberal arts colleges with minimal financial resources. However, private colleges have the added burden of trying to decide whether to change the educational mission of their institution to offset their reduced resources. The focus here is on tuition income for private colleges, since this income is what really determines whether an institution can survive with its present student composition and is a bellweather for the future financial viability of many colleges. Also examined is what action colleges are taking generally to deal with their economic problems and how these actions affect the future quality and viability of the private sector.

Tuition and fee income is the basic source of funds for private colleges and universities. Decline in this area is a major cause of their current financial problems. Nationally,

> 68.1 percent of the educational and general revenue in private institutions is derived from tuition and fees. The second largest source of income is that received from restricted and unrestricted gifts and grants. They produced 15.3 percent of the whole. Income from endowment produces another 7.6 percent, contributed services is responsible for 1.7 percent, and all other sources for 7.3 percent (Jellema 1973, 56-57).

As high as tuition charges are, they still do not reflect the actual cost of providing a liberal arts education. The Sloan Consortium's estimated undergraduate composite cost data for 1971-72 shows that Amherst, Brown, Dartmouth, Harvard, MIT, Mount Holyoke, Princeton, Wellesley, and Wesleyan were provided a subsidy of $1,945 per fulltime equivalent student, and that tuition and fees were only 59 percent of total educational and general costs. These figures take into consideration "the net effects of room and board, sponsored research, and other activities that produce revenue as well as expenditures and [exclude] financial aid" (Sloan Study Consortium 1974, p. 29).

Several recent studies have considered ways in which private colleges and universities may be able to increase their tuition income through

expanded enrollment and/or tuition increases to cover the full cost of education. Neither alternative has provided a general solution. The reasons for the failure of these approaches is a lesson in the problems of college financing. Finding solutions to college financing is, in part, a question of treating the institution as a business enterprise and applying a business approach to the problems. Yet this method is not entirely satisfactory, because a college is also subject to sociological considerations that are difficult to quantify.

L. Richard Meeth (1974), in his study of independent and church-related liberal arts colleges, examines the relationship of cost to the quality of education and discusses the expansion in enrollment as a method of increasing income. He finds that unless expansion is accompanied by full-cost tuition, small colleges will need 5 cents to 70 cents for each additional $1 increased enrollment brings, "depending on the percentage of costs paid by the student." Also, an expanding institution needs efficient management or else the inefficiency that occurs on a small scale will just be magnified with expansion. Finally, while expansion may produce short-term benefits, colleges must also consider long-range expenses resulting from expansion: increased faculty, staff, and facilities (p. 155). The Sloan Study report makes a similar observation about its component institutions:

> Increasing the size of the student body has serious limitations as a strategy for meeting increased costs, particularly over the long term. It assumes, for example, that the applicant pool is large enough to supply increasing numbers of qualified applicants, that there exists excess capacity in faculty and staff to absorb the increased workload and that academic facilities and housing can also accommodate an increased student population. Furthermore . . . significant increases in student enrollments can produce substantial change in the academic environment and the quality of student life on campus (The Sloan Study 1974, p. 28).

In contrast to these views, Astin and Lee contend that among the invisible colleges, increasing enrollment in institutions under 1,000 students is an economically sound idea. Astin and Lee contend that increases of several hundred students would not impair the benefits of a small campus environment, but would enable the college to maximize its resources. They found that

> if an institution enrolling 600 students increases its income 50 percent simply by enrolling another 300 students, it does not, at the same time, increase its expenditures by 50 percent, *particularly if its existing facilities are already underutilized* [emphasis added] (Astin and Lee 1972, p. 104).

Private institutions may also find that increasing tuition so that it

reflects the full cost of education is not an adequate solution because of management and social problems. The Sloan Study Consortium (1974) finds that tuition would have to rise by 60 percent to reflect full cost.* This increase would be a substantial and perhaps unacceptable burden for many private college students and their families, since tuition is already rising at a higher rate than per capita disposable income, an average of 2.5 percent higher during the 1960s (Jellema 1973).

The Sloan Study Consortium presents several arguments against full-cost tuition: (1) It is difficult to ascertain what the full cost of education is. (2) Full-cost tuition would probably discourage applications from middle-income students who would not be eligible for aid. Therefore, a college's socioeconomic mix would be altered because only lower-income students eligible for aid and high-income students who could pay full cost would be likely to attend. (3) Financial aid outlays would have to increase for high-ability, low-income, students who could not pay the tuition increase. (4) Full-cost tuition and the necessary increase in financial aid would involve the institution in redistributing income from wealthier to poorer students, "an inappropriate role" (pp. 30-32).

Student Aid

Linked to the problem of tuition income is the question of aid to needy students, another significant cost underwritten by private institutions of all sizes. Jellema (1973) surveyed about 75 percent of all private institutions and found that 65 percent of the respondents now have more students requiring financial aid than in 1968. Meeth (1974) finds that very small colleges are in especially difficult straits because they must pay out larger amounts in student aid to attract students, thus hindering the schools' ability to spend money on educational and general programs. Jenny and Wynn observe that in addition to funds set aside for student aid, some institutions take money not designated for student aid from current income to assist students. The authors call this discrepancy between an institution's student aid funds and the amount of money actually spent on aid the "student aid subsidy gap." They argue that it is

> a major cause for the financial difficulties of private colleges. Among other things, it adds to fund-raising expense because gifts and endowments must

*Other costs (fees, room, and board) more closely reflect full price and would rise as substantially. Therefore, total charges to the student (tuition, room, board, and fees) would increase about 40 percent to reflect full cost (Sloan Study 1974, p. 31).

> be sought to help underwrite what otherwise could lead to an operating deficit. But much more significant is its contribution to the inflation of Tuition and Total Student Charges (Jenny and Wynn 1970, p. 101).

To demonstrate this last point, they provide a table of "estimated addition to tuition and total charges" from 1960 through 1968. In 1968, they estimated that if 10 percent of the student body is receiving complete aid, tuition charges would have to rise by $142 to close the subsidy gap; if 25 percent of the student body is receiving aid, charges would have to increase by $170 (p. 101).

There is no certainty that the need for student aid will decline; in fact, the reverse appears to be true. Doermann (1970) looked at the male high school graduate pool for 1969-70, correlated according to income and scholastic ability, as measured by the Verbal Scholastic Aptitude test, and found that the pool of potential freshmen increases with income, but that it is still a very limited pool; in the 550-800 verbal test score range, there are only 40,000 men who have family incomes of $16,200 and over, involving a possible contribution to college costs of $3,080. These men represent 50 percent of those in the 550-800 test score range. This small pool of very able students cannot provide a financially stable base to attend elite, private institutions.

Because of this limited academic pool, private colleges that attempt to raise their admissions standards may fail to achieve their enrollment and financial goals. An example of this is Knox College (Illinois). Knox developed a ten-year plan for growth and improvement, which called for improving student quality and, at the same time, earning more from tuition income by raising tuition but not returning most of the increase to their students in the form of aid (Doermann 1970). This plan was based on the assumption that

> the number of bright and prosperous high school graduates was large enough and increasing rapidly enough so that the sharp change which Knox projected in student quality and numbers would not prevent realization of the college's other goals (Doermann 1970, p. 297).

This hope was not fulfilled. Their project goal of 1,250 enrollment turned out to be 1,092 in 1963-64, while their tuition income was only $1,600,000 instead of the projected $1,900,000.

Most private colleges continue to see tuition as their major source of income. They realize, however, that new plans must be implemented to increase tuition income while stabilizing financial aid expenditures. Their attention is therefore directed to the problems of students from middle-income families, the traditional enrollment market for many institutions. These students and their families are

increasingly unable to afford private college tuition but do not qualify for student aid. As a result, they are forced to seek loans to finance their education.

The Sloan Study Consortium (1974) examines the loan options available to students and suggests that the Guaranteed Student Loan Program (GSLP) should be made more effective so that students will have greater access to loans than they do currently. Under the GSLP, the federal government pays the interest on a student's loan while he is in college, and guarantees the repayment of principal and interest to the lending institutions if the student should default on the loan. The lending institutions may be banks or participating colleges and universities. An interest subsidy is also granted to students if financial need is present. Currently, if the adjusted family income is under 15,000 and the loan is below $2,000 in a year,* a student automatically qualifies for an interest subsidy. A student whose adjusted family income is under $15,000, but who is requesting a loan from $2,000 to $2,500 (the maximum annual loan), must justify the portion over $2,000 by a needs analysis. Finally, a student whose adjusted family income is $15,000 or more must submit to needs analysis for any interest subsidy he requests. Repayment of GSLP loans may be made for a period of up to ten years; repayment installments are not correlated to income nor are they scaled according to the year of repayment after graduating.

The Sloan Study urges a number of changes that it believes would encourage students and institutions to participate more in the GSLP than they currently do. First, the Sloan group recommends that when the debt is $4,000 or more, greater flexibility in the repayment schedule should be allowed. Second, it also would like to see the program targeted more toward the middle-income student, and therefore recommends that the income level used as the basis for financial aid should be increased. A third recommendation deals with the opening of a secondary market, such as the new Student Loan Marketing Association (Sallie Mae). Sallie Mae is a private corporation sponsored by the federal government that would purchase loan paper from the lending institutions, thereby providing additional funds for insured student loans. Other Sloan Study recommendations deal with the grace period before repayment begins, student bankruptcy proceedings, and administrative practices for dealing with delinquent or defaulting borrowers (pp. 55-67).

Many loan programs require institutions to use their own funds to

*Higher Education Act, Title IV, Part B, section 428 (a).

provide student loans and call for repayment schedules that differ from the GSLP. For example, under Yale University's Tuition Postponement Option, begun in 1971, borrowers repay their loans each year according to their income over a period as long as 35 years. Repayment installments are initially credited toward principal, and life insurance and interest is deferred until the later payments (Sloan Study, pp. 47-48). Harvard and MIT also offer loan programs that include graduated repayment provisions.

In an innovative approach to helping students from middle-income families attend a private school, Beloit College in 1972 launched a graduated tuition program. Under this program, the tuition charge per student is based on adjusted family income and the number of siblings the parents have in college. For example, based on income the tuition will range from $500 per term for families with less than $7000 annual income to $1650 for families with more than $21,000 annual income and no other children in college. Tuition for families with two or more other children in college is determined by the director of admissions. Thus, according to the schedule, tuition for a student whose family has an adjusted family income between $15,000 and $15,499 with no other children in college would pay $1,100 per term, while a family with the same adjusted income and another child in college would pay only $880 per term. Beloit's Vice-President for Planning has found that while this approach has not significantly affected the size of the freshman class, it has changed the character of the student body in providing a greater percentage of middle-class students. Financially, it has allowed Beloit to drop the practice of using restricted funds for scholarship support (Wilde 1974).

The Financial Outlook

For some private colleges and universities, the financial crisis of the late 1960's and early 1970's has diminished. Realizing the necessity for swift and decisive actions to deal with rising deficits, troubled college administrators have used a variety of methods to hold down expenditures and cut costs. While these methods have been effective in weathering a particular crisis, it is questionable whether these methods offer long-range solutions to the financial problems of colleges and universities.

The method for achieving a better balance sheet at private colleges has not been to increase income but to hold down expenditures. The Sloan Study reports that

> over the last five years the net expenditures per full-time equivalent student at the nine institutions have been held to a compound rate of growth very close to general inflationary trends in the economy as a whole. *In effect, there has been little or no increase in real expenditures per student over the period* [author's emphasis] (p. 11).

The Sloan group is concerned that expenditures cannot be held down indefinitely. For example, a faculty's salaries and other benefits must continue to rise, but the techniques used to increase faculty productivity are limited. Cheit (1973) notes that colleges have used the methods of holding down increases in faculty salaries and deferring maintenance as substantial parts of their expenditure reduction programs; but these methods have adverse long-range consequences, since they "set in motion conditions that in time tend to increase costs" (p. 52).

Similarly, Wynn finds that the 48 private liberal arts colleges he studied have improved their financial condition by reducing expenditures. He is concerned that the one-shot expenditure reductions these institutions have taken may mean that new economic pressures will prove more harmful than those that have occurred:

> Vulnerability may mean that an institution can no longer survive another enrollment decline, another disenchanted benefactor, [or] more competition from two-year institutions (Wynn 1974, p. 15).

Both Cheit and Wynn also observe that difficult financial questions for colleges raise difficult issues of quality and direction. Cheit points out that economic issues eventually affect the character of a college:

> Questions of money eventually lead to questions of purpose, and these new managerial practices and organizational relationships [to improve the financial picture] form the evolving systems by which the schools are making the transition from money questions to purpose questions (Cheit 1973, p. 15).

And Wynn notes that quality education may be lost in an institution's efforts to survive financial difficulties. In saying this, Wynn comments:

> The difficulty in proving this case is that there does not exist in higher education anything approaching a consensus on what is meant by quality . . . . It is difficult to convince the public that higher education is suffering from the deterioration of something that cannot be defined nor measured. On the other hand, the inability to measure quality does not mean that the problem will go away (Wynn 1974, p. 17).

In opposition to these views on the financial outlook, Meeth questions the belief that more money spent means better education. He paired six colleges that had similar enrollments but variations in cost-per-

student. In each of three pairs, he determined that the college with the lower cost-per-student was as effective as or more effective than the higher cost college in terms of faculty, students, general institutional criteria, and alumni support. In his opinion:

> it is no longer possible to make categorical statements that higher cost means greater effectiveness among private institutions of similar type and purpose. . . . This entire study suggests that colleges are likely to spend more and not add to effectiveness than they are to spend less and detract from effectiveness (Meeth 1974, p. 98).

Summary

Private colleges and universities have encountered complex financial problems in recent years due to a series of economic and management difficulties. In dealing with their financial problems, these institutions have focused on the area of tuition income, the largest and most predictable source of revenue problems. They found that increasing tuition income through larger enrollments or higher tuitions creates other problems, and that neither method is ultimately satisfactory. Further, colleges' reliance on tuition income is impaired by necessary increases in student aid to a greater percentage of the student body as tuition fees are increased. Private colleges increasingly encourage students to assume education loans, thereby enabling the colleges to charge higher tuitions without incurring greater expenditures in student aid. While tuition fees have risen, college administrators have tried to reduce expenditures to reverse downward financial trends. Many of the reductions in expenditures have been one-time cutbacks, leaving colleges in a difficult position if new financial stresses occur. Financial problems have also made it difficult to maintain quality, and there is concern about the ability of colleges to cope with this problem successfully when they are under financial duress.

Conclusions

Private colleges—elite, church-related, invisible, and nonelite—have contributed to make higher education in the United States what it represents today: the transmittal of learning and culture; the support of student personal development; and the free inquiry into all areas of intellectual endeavor. The private sector has embodied these ideals in varying ways, as changing social conditions have warranted. This process continues even though new circumstances make changes and adjustments more difficult today than in the past. For most private colleges and universities, institutional decisions must now take place in the context of restricted financial circumstances that tend to dwarf all other considerations.

Goals, Student Body, and Curricula. Financial pressures caused by declining enrollments, tuition income and the need for colleges to spend more funds on student assistance have prompted private colleges and universities to reexamine their educational objectives, potential student market, and curriculum offerings and practices. Such a review may indicate new directions colleges can follow to adequately serve its student population; on the other hand, administrators may conclude that their present programs are satisfactory. Financial difficulties may also hamper constructive change, causing administrators uncertainty about the future, and resulting in the postponement of necessary decisions.

But private colleges can provide attractive benefits that are unaffected by monetary considerations. An institution with well-defined educational goals may offer students a personalized campus environment in which they can develop to a high degree their potential for intellectual and social growth. For such institutions, winning public recognition for these less clearly definable benefits may be difficult and may call for new public relations and recruitment emphasis.

Government Relations. In the twentieth century the relationship between state and federal governments and private institutions has become legally and financially complex, and this relationship has serious ramifications for the autonomy of private institutions. Private colleges and universities need and depend upon state and federal government aid to help them carry out particular objectives and to bolster their revenue. Therefore, they attempt to comply with the guidelines and regulations that are a part of government aid. These guide-

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lines and regulations impact upon institutional policies and practices, in that they involve the government in the internal affairs of the college and in some instances cause the institution to establish organizational units to monitor and direct an institution's compliance with these regulations and guidelines. Aid granted to church-related institutions may also affect the very character of the college with regard to its sectarianism because of the church-state constitutional prohibition.

But the "private" nature of private colleges and universities does put a barrier between them and direct state control if the government-institution relationship is of a particular kind. Here, the legal concept of "state action" is highly significant. "State action" is involved if the kind of aid the college accepts from a government source so entangles the college and the government that the college's actions are considered an extension of the government's policies. Under that circumstance, the private college is subject to all the constitutional constraints imposed upon the public sector, and its policies and practices are open to court scrutiny when a constitutional issue is involved.

Financial Issues. Financial problems not only affect educational policy and institutional autonomy, but they are themselves a major concern of private higher education. Tuition income is and will continue to be the main source of income for private institutions. The problems connected with this income are the most conspicuous that need to be resolved in the area of financial affairs. Institutions need to find ways of making their comparatively expensive college education a viable alternative for middle-income students who can choose to attend lower-cost public institutions. Given the condition of the nation's economy and the trend toward reduced federal support, institutions will increasingly encourage students to take out loans to pay for their education. Therefore, college administrators are interested in making loan programs as attractive as possible.

Private colleges and universities have seemingly made a successful turnabout in their financial affairs from the near-crisis situation of a few years ago to a currently stable balance sheet. But this achievement has been through short-term measures that forestall college closings and even establish institutions firmly in the black for the time being. These methods are therefore not promising for future growth and improvement in the private sector, especially in light of the nation's twin problems of escalating inflation and downward trends in the economy. A successful resolution of the tuition problem appears to be the best hope for financial improvement.

To the Future. In recent years, private colleges and universities have made known to the public the seriousness of their financial diffi-

culties, and some commentators wondered aloud about the imminent demise of the private sector. This demise is not upon us. Certainly, financial problems will continue for an indefinite period, and predictions about what colleges will survive and by what means would be foolhardy. In the author's view, a substantial proportion of the colleges in the private sector will survive. The history of the private college in America shows these colleges have changed to meet social needs. This process is continuous and promises not to extinguish private liberal arts education, but to make it more varied, more purposeful, and more exciting.

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